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BEFORE THE ARIZONA CORPORATION COMMISSION

Arizona Corporation Commission

DOCKETED

JUN 27 2002

DOCKETED BY

CA

WILLIAM A. MUNDELL  
Chairman

JIM IRVIN  
Commissioner

MARC SPITZER  
Commissioner

IN THE MATTER OF THE GENERIC  
PROCEEDINGS CONCERNING ELECTRIC  
RESTRUCTURING ISSUES

Docket No. E-00000A-02-0051

IN THE MATTER OF ARIZONA PUBLIC  
SERVICE COMPANY'S REQUEST FOR A  
VARIANCE OF CERTAIN REQUIREMENTS OF  
A.A.C. R14-2-1606

Docket No. E-01345A-01-0822

IN THE MATTER OF THE GENERIC  
PROCEEDING CONCERNING THE ARIZONA  
INDEPENDENT SCHEDULING  
ADMINISTRATOR

Docket No. E-00000A-01-0630

IN THE MATTER OF TUCSON ELECTRIC  
POWER COMPANY'S APPLICATION FOR A  
VARIANCE OF CERTAIN ELECTRIC  
COMPETITION RULES COMPLIANCE DATES

Docket No. E-01933A-02-0069

IN THE MATTER OF THE APPLICATION OF  
TUCSON ELECTRIC POWER COMPANY FOR  
APPROVAL OF ITS STRANDED COST  
RECOVERY

Docket No. E-01933A-98-0471

ARIZONA CLEAN ENERGY INDUSTRIES  
GRAND CANYON TRUST  
ARIZONA SOLAR ENERGY INDUSTRIES  
RENEWABLE ENERGY LEADERSHIP GROUP  
RESPONSE TO STAFF'S LIST OF ISSUES

Arizona Clean Energy Industries Alliance, The Grand Canyon Trust,  
Arizona Solar Energy Industries Assoc, and the Renewable Energy Leadership  
Group responds to the staff's list of issues referred to in its May 13, 2002  
Request for Procedural Order.

RESPECTFULLY SUBMITTED this 27<sup>th</sup> day of June 2002.

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Original and 18 copies of the foregoing  
Filed this 27<sup>th</sup> day of June, 2002.

Docket Control  
Arizona Corporation Commission  
1200 West Washington  
Phoenix, AZ 85007

Copy of the foregoing mailed/emailed this 27<sup>th</sup>  
day of June, 2002 to all parties of record

### Comments on Staff's List of Track B Issues

In a letter dated May 31, 2002, the Director Utilities Division provided a list of Track B issues involving a competitive solicitation process for meeting a utility's power requirements and asked for comments by June 28, 2002. The Arizona Clean Energy Industries Alliance, the Grand Canyon Trust, the Arizona Solar Energy Industries Assoc. and the Renewable Energy Leadership Group request that an issue be added under Item 2: "What types of products will be subject to competitive solicitation", and addressed at subsequent workshops. The issue is:

**Should environmental portfolio standard requirements be included in a portfolio based, competitive solicitation?** We believe that such requirements should be included for the following reasons.

- ***It is a workable environmental strategy.*** It is widely accepted that competitive wholesale energy marketplace have environmental consequences. Yet, none of the parties responding on Track A and B issues discussed these consequences nor offered a response strategy.
- ***The timing is good, the 1.1 percent portfolio requirement is reasonable and it can be easily implemented.*** A time-based portfolio reaching out to ten years presents an ideal opportunity to bring the 1.1 percent requirement into the energy mainstream, starting as part of a blended offering.
- ***Renewable energy based generation can benefit Arizona's electric system.*** Clean energy systems, particularly as distributed generation inside non-attainment areas, increase the robustness of the overall system whose competitive supply margin is thin in the short term, transmission constrained, and subject to potential fuel delivery constraints.
- ***The current Corporation Commission mandate together with ratepayer support provides an excellent foundation.*** The Environmental Portfolio Standard (EPS) unanimously adopted in early 2001 is supported by a consumer surcharge of 35 cents a month totaling \$12 million per year.
- ***Renewable energy systems installed to date have experienced few technical problems and costs continue to decline.*** Despite its slow start and its arms length implementation by utilities, the EPS is already showing positive results. Generation from landfill gas facilities is established and there are plans for increasing its capacity. APS experience is showing a 23 percent decline in costs of solar compared to the costs of systems installed before the EPS. Jobs are being created in Arizona, particularly for businesses that install small photovoltaic systems. Because of interest in wind driven by the EPS, a detailed wind map showing potential wind energy sites is due this fall. A geothermal interest group is being formed. With the adoption of an EPS, energy experts, as well as the federal government acknowledge Arizona leadership in renewable energy.

- ***Arizona consumers, the Corporation Commission and the U. S. EPA want a renewable energy solution.*** Arizona electricity customers overwhelmingly believe that utilities could be doing more to reduce environmental impacts on Arizona's air and water, and to increase the use of renewable energy. EPA's regional haze regulation includes a call for more renewable energy based generation. The regional haze regulations were based on recommendations from the Grand Canyon Visibility Transport Commission (GCVTC) that 10 percent of the region's electricity come from renewable energy sources by 2005, rising to 20 percent by 2015. Representatives of all three major Arizona utilities officially supported the GCVTC recommendations. Chairman Mundell and Commissioner Spitzer in their detailed questions regarding Arizona's competitive electric competition rules point to the need to reduce the environmental impacts of a fossil fuel based energy strategy.
- ***Renewable energy based systems add to Arizona's economic development.*** The large dollar outflow for fuels purchased out-of-state is reduced by use of solar and other in-state renewable resources. The Renewable Energy Policy Project is a national non-governmental organization that supports the advancement of renewable energy technology through policy research. In a recent study the Project concludes that renewable energy offer a diverse array of jobs and the technologies also offer more jobs per dollar than coal power.

The Arizona Clean Energy Industries Assoc, the Grand Canyon Trust, the Arizona Solar Energy Industries Assoc, and the Renewable Energy Leadership Group look forward to discussing this issue and strategies for its implementation as the Track B process moves forward.